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JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

March 11, 2008

Erwin Sass, General Manager
Dugout Canyon Mine
P.O. Box 1029
Wellington, Utah 84539

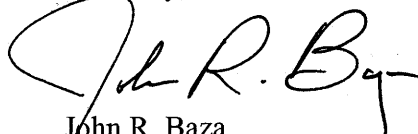
Subject: Five-Year Permit Renewal, Dugout Canyon Mine, Canyon Fuel Company, LLC,
C/007/0039, Task ID #2880, Outgoing File

Dear Mr. Sass:

The Division of Oil, Gas and Mining reviewed your application for permit renewal. We have found all permitting requirements for renewal to be current. The Division hereby approves the Five Year Permit. Enclosed is the renewed permanent program mine permit for the Dugout Canyon Mine and a copy of the State's Decision Document.

Two (2) copies of the permit are included. Please have both copies signed by the responsible official for the Dugout Canyon Mine and return one to the Division.

Sincerely,


John R. Baza
Director

an
Enclosures

cc: OSM
Price Field Office

O:\007039.DUG\FINAL\WG2880\RENEWAL COVER LETTER.DOC

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT**

**For
PERMIT RENEWAL**

**Canyon Fuel Company, LLC
Dugout Mine
C/007/0039
Carbon County, Utah**

March 11, 2008

CONTENTS

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ADMINISTRATIVE OVERVIEW

Canyon Fuel Company, LLC
Dugout Mine
C/007/0039
Carbon County, Utah

March 11, 2008

BACKGROUND

Mining in Dugout Canyon had its beginning in 1925 when D. J. Collins hand-developed the Red Glow Mine. After that several other entities conducted small mining operations in the Canyon off and on until approximately 1965. The reserve changed hands several times when finally Sunedco acquired the reserves in the early 1980's and permitted the property in hopes of developing a 5 million ton a year coal mine. The market never materialized and the mine never was developed. The permit was not kept active and was revoked on May 19, 1987. Coastal States Energy Company acquired the properties in 1993 as part of the acquisition of Soldier Creek Coal Company.

Canyon Fuel Company, LLC became the applicant on December 20, 1996 when the Atlantic Richfield Companies purchased the Coastal properties. Canyon Fuel was issued the initial permit for the Dugout Canyon Mine on March 16, 1998. Construction of the mine commenced. Canyon Fuel Company, LLC determined that additional surface facilities would be needed and in May 1998, submitted an application to add 10 acres of BLM land to the permit. This was granted on October 16, 1998. Significant revision to add a federal lease was submitted on May 21, 1999. The ACR was completed on June 23, 1999. It was determined complete on August 30, 1999. The Conditional State Permit was issued on March 31, 2000. On August 2, 2000 the 3234 acres of Federal Lease was approved. The Dugout SITLA lease was submitted on January 14, 2004. It was determined complete on May 18, 2004 and was approved on June 24, 2005. Midterm commenced May 19, 2006. It was approved on December 28, 2006. Canyon Fuel Company, LLC made application to the DOGM for this five year permit renewal for the Dugout Mine on November 16, 2007.

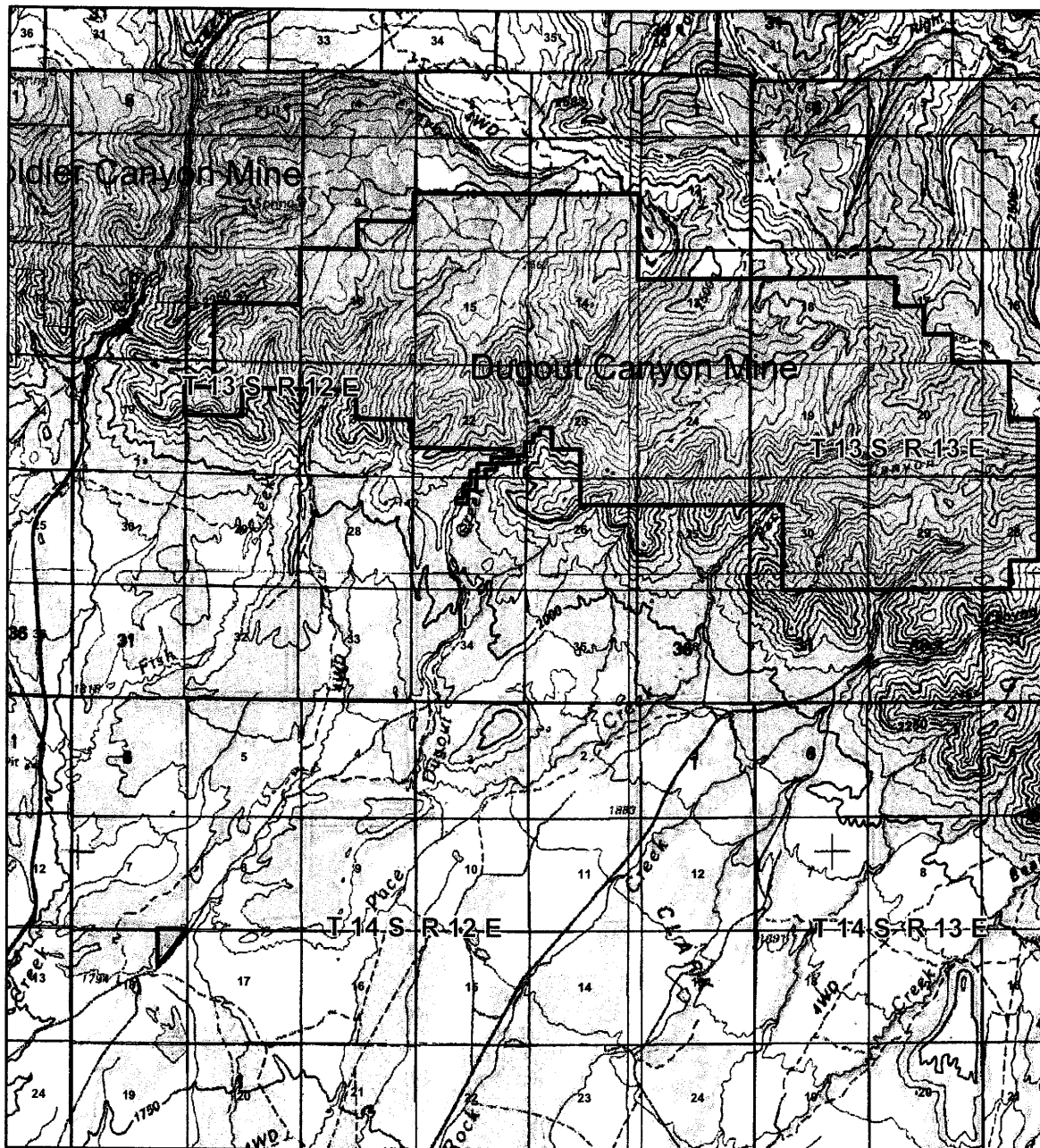
The permit area encompasses 9471 acres with a disturbed area of 51.1 acres.

ANALYSIS

The Permittee has met the requirements for permit renewal. The notice of permit renewal was published in the Sun Advocate on January 10, 17, 24 and 31, 2008. No comments were received during the public comment period.

RECOMMENDATION

Requirements for permit renewal have been met. Approval for this permit renewal is recommended.



Dugout Canyon Mine

C0070039
Carbon County, Utah

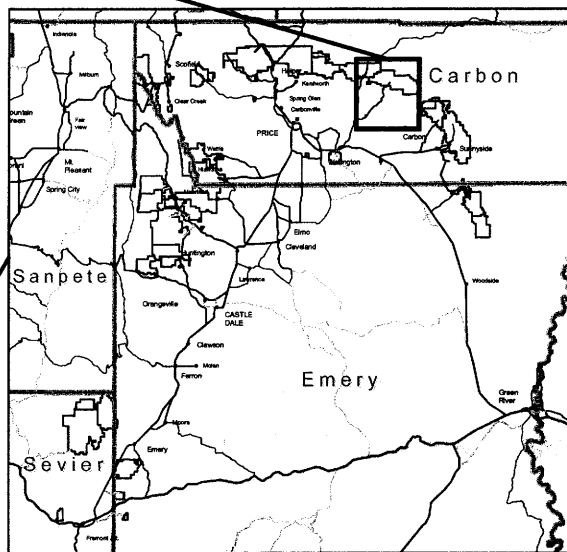
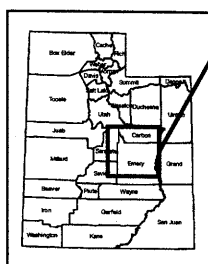
Township 13 South Range 12 East
Township 13 South Range 13 East

- | | | | |
|--|--|--|------------------------------------|
| | Permit Area | | Proposed State Permit Modification |
| | Proposed Mine Plan Modification (If shown) | | Active Permit |
| | In Reclamation | | Retained-Final Bond Release |



0 0.45 0.9 1.8 Miles
1:60,000

N:\GIS\coal\coalareamaps\C0070039.mxd
12/23/08 @ 10:08:28 AM
NAD 1983 UTM Zone 12N



Locator Map

PERMITTING CHRONOLOGY

Canyon Fuel Company, LLC
Dugout Mine
C/007/0039
Carbon County, Utah

March 11, 2008

November 16, 2007	Canyon Fuel Company, LLC submits application for permit renewal for the Dugout Mine.
December 31, 2007	Division notifies Canyon Fuel Company, LLC, that the Dugout Mine permit renewal application is complete.
January 10, 17, 24 and 31, 2008	The Dugout Mine permit renewal is published in the <u>Sun Advocate</u> for four consecutive weeks.
January 4, 2008	Division notifies other federal, state and local agencies about the Dugout Mine permit renewal.
February 1, 2008	End of public comment period.
March 17, 2008	Division issues Decision Document and renewed State Mine Permit.

PERMIT RENEWAL FINDINGS

Canyon Fuel Company, LLC
Dugout Mine
C/007/0039
Carbon County, Utah

March 11, 2008

1. The permit renewal term will not exceed the original permit term of five years (R645-303-234).
2. The terms and conditions of the existing permit are being satisfactorily met (R645-303-233.110).
3. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the Act and the Utah State Program (R645-303-233.120).
4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program (R645-303-233.130).
5. The Permittee has provided evidence of having liability insurance (Federal Insurance Company - policy #3711-00-10)(R645-303-233.140).
6. The Permittee has posted a reclamation surety bond performance bond issued by St. Paul Fire and Marine Insurance Company surety bond number 400SA1917 in the required amount of \$3,682,000. This instrument will remain in full effect for the additional permit period. No additional surface disturbances are approved with this renewal (R645-303-233.150).
7. The Permittee has submitted all updated information as required by the Division at this time. (R645-233.160).


Permit Supervisor


Associate Director, Mining


Director

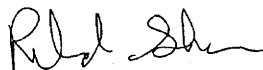
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)


SS.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and the first publication was on the 10th day of January, 2008, and that the last publication of such notice was in the issue of such newspaper dated the 31st day of January, 2008.


Richard Shaw - Publisher

Subscribed and sworn to before me this 31st day of January, 2008.



Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 798.72



LEGAL NOTICE

Canyon Fuel Company, LLC of Grand Junction, Colorado, hereby announces its intent to renew its coal mining permit for the Dugout Canyon Mine under the laws of the State of Utah and the U.S. Office of Surface Mining. The currently approved mining permit is number C/007/039.

Canyon Fuel Company, LLC, operates the Dugout Canyon Mine which is located thirteen (13) miles northeast of Wellington, Utah, with facilities in Dugout Canyon located in the west half of Section 23, Township 13 South, Range 12 East, Salt Lake Base Meridian.

Underground coal mining will take place in coal reserves owned or leased by Canyon Fuel Company, LLC. A description of the permit area follows:

Township 13 S., Range 12 E., Salt Lake Base and Meridian

Section 9:	S1/2SE1/4
Section 10:	S1/2
Section 11:	S1/2
Section 13:	All except N1/2N1/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	E1/2SW1/4; SE1/4
Section 20:	E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21:	N1/2NW1/4; NE1/4
Section 22:	N1/2; N1/2S1/2; Portion of N1/2NE1/4SE1/4SE1/4; Portion of SW1/4NE1/4SE1/4SE1/4; Portion of the S1/2NW1/4SE1/4SE1/4; Portion of SW1/4NE1/4SW1/4SE1/4; Portion of N1/2SE1/4SW1/4SE1/4; Portion of NE1/4SW1/4SW1/4SE1/4; Portion of S1/2SW1/4SW1/4SE1/4
Section 23:	NW1/4; NE1/4; SE1/4; NE1/4SW1/4; NW1/4NW1/4SW1/4; S1/2NE1/4NW1/4SW1/4; NW1/4SW1/4NW1/4SW1/4
Section 24:	All
Section 25:	N1/2N1/2
Section 26:	N1/2NE1/4
Section 27:	Portion of W1/2NW1/4NW1/4NE1/4 Portion of SW1/4NE1/4NE1/4NW1/4 Portion of E1/2SW1/4NE1/4NW1/4 Portion of SW1/4SW1/4NE1/4NW1/4

Township 13 S., Range 13 E., Salt Lake Base and Meridian

Section 17	SW1/4; SW1/4NW1/4; SW1/4SE1/4
Section 18	All except N1/2N1/2
Section 19	All
Section 20	All
Section 21	SW1/4; SW1/4NW1/4; NW1/4NW1/4
Section 28	NW1/4; N1/2SW1/4; SW1/4SW1/4
Section 29	All
Section 30	NW1/4NW1/4; E1/2; E1/2W1/2

Township 14 S., Range 12E., Salt Lake Base and Meridian

Section 18 Portion N1/2NE1/4

Topsoil to be used in reclamation of the Dugout Canyon Mine disturbed areas is being stored in T14S, R12E, Section 8, a storage area permitted to Soldier Canyon Mine.

A copy of the permit renewal application will be available for inspection at the following locations:
Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114 and Carbon County Courthouse, 120 East Main Street, Price, Utah 84501

The address of the applicant is:
Canyon Fuel Company, LLC, 225 North 5th Street, Suite 900, Grand Junction, Utah 81501

Written comments or request for a hearing regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.
Published in the Sun Advocate January 10, 17, 24 and 31, 2008.



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DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

March 11, 2008

To: Compliance File

From: Daron R. Haddock, Permit Supervisor *DRH*

Re: 510 (c) Recommendation for Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/0039

As of this writing of this memo, there are no NOV's or CO's which are not corrected or in the process of being corrected for the Dugout Canyon Mine. There are no finalized civil penalties, which are outstanding and overdue in the name of Canyon Fuel Company, LLC. Canyon Fuel Company, LLC does not have a demonstrated pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

Attached is a recommendation from the OSM Applicant Violator System for the Dugout Canyon Mine that states there are no outstanding violations.

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Application Evaluation

Application Number ACT007039
Applicant Name 142816 Canyon Fuel Company LLC
Date of Evaluation 3/11/2008 1:06:07 PM
Requested Individual Angela Nance

CAUTION: The Applicant/Violator System (AVS) is an informational database. Permit eligibility determinations are made by the regulatory authority with jurisdiction over the permit application not by the AVS. Results which display outstanding violations may not include critical information about settlements or other conditions that affect permit eligibility. Consult the AVS Office at 800-643-9748 for verification of information prior to making decisions on these results.

There were no violations retrieved by the system

Evaluation OFT

Entities: 99

109255 Atlantic Richfield Co - ()
---061928 Mike R Bowlin - (Chairman of the Board)
---061928 Mike R Bowlin - (Chief Executive Officer)
---062210 Henry E Wendt - (Director)
---084987 Harrell L Bilhartz Jr - (Senior Vice President)
---086342 Marie L Knowles - (Chief Financial Officer)
---086342 Marie L Knowles - (Director)
---086342 Marie L Knowles - (Executive Vice President)
---113155 Lodwick M Cook - (Director)
---113157 John Gavin - (Director)
---113158 Hanna H Gray - (Director)
---113175 William E Wade Jr - (Director)
---113175 William E Wade Jr - (Executive Vice President)
---113175 William E Wade Jr - (President)
---113180 Mark L Hazelwood - (Senior Vice President)
---113185 Patricia N Boinski - (Assistant Secretary)
---113186 Patrick J Brophy - (Assistant Secretary)
---113187 James R Coffee - (Assistant Secretary)
---113190 Thomas F Linn - (Assistant Secretary)
---113191 Ronald W Macdonald - (Assistant Secretary)
---113192 Richard C Morse - (Assistant Secretary)
---113194 Paul J Richmond - (Assistant Secretary)
---113195 Thomas C Roantree III - (Assistant Secretary)
---113199 Diane A Ward - (Assistant Secretary)
---113200 Bruce G Whitmore - (Secretary)
---113200 Bruce G Whitmore - (Senior Vice President)
---113202 Patrick J Ellingsworth - (Corporate Officer)
---113202 Patrick J Ellingsworth - (Vice President)
---113205 Allen C Holmes - (Vice President)
---120542 Anthony G Fernandes - (Director)
---120542 Anthony G Fernandes - (Executive Vice President)
---120546 Terry G Dallas - (Senior Vice President)
---120546 Terry G Dallas - (Treasurer)
---122949 Frank D Boren - (Director)
---122951 John B Slaughter - (Director)
---122952 Beverly L Hamilton - (Vice President)
---129866 Michael E Wiley - (Director)
---129866 Michael E Wiley - (Executive Vice President)
---129870 Robert E Mcmanus - (Corporate Officer)
---130259 Daniel J Rolf - (Assistant Secretary)
---131979 Allan L Comstock - (Controller)
---131979 Allan L Comstock - (Vice President)
---131980 John H Kelly - (Senior Vice President)
---131981 J Kenneth Thompson - (Executive Vice President)
---131981 J Kenneth Thompson - (Senior Vice President)
---135502 Stephen R Mut - (Senior Vice President)

---135505 Patricia B Fisher - (Assistant Secretary)
---135779 Kent Kresa - (Director)
---137568 George S Davis - (Assistant Treasurer)
---137580 David T McLaughlin - (Director)
---137583 W Steven Jones - (Assistant Secretary)
---137584 John R Lucas Jr - (Assistant Secretary)
---137585 Stephen Molina - (Assistant Secretary)
---137586 Ronald C Redcay - (Assistant Secretary)
---142826 John B Cheatham - (Senior Vice President)
---142842 Robert M Pine - (Controller)
---142843 Ronald R Williams - (Corporate Officer)
---142844 E Larry Cantu - (Assistant Secretary)
---142845 Susan O Liebson - (Assistant Secretary)
---142846 David W Marquez - (Assistant Secretary)
---142847 Karen R Monroe - (Assistant Secretary)
---142848 Eric E Sigsbey - (Assistant Secretary)
---142849 Antoinette M Tadolini - (Assistant Secretary)
---144427 Barbara M Bartoletti - (Secretary)
---145261 Donald R Voelte - (Senior Vice President)
---145262 Robert L Healy - (Vice President)
---145263 Ian F Chate - (Assistant Secretary)
---145264 June I Rose - (Assistant Secretary)
---145595 Arch Western Resources Llc - (Subsidiary Company)
-----098471 David B Peugh - (Vice President)
-----127325 Robert G Jones - (Assistant Secretary)
-----127325 Robert G Jones - (Vice President)
-----129563 Charles David Steele - (Vice President)
-----138467 Paul A Lang - (President)
-----146381 James E Florczak - (Treasurer)
-----146381 James E Florczak - (Vice President)
-----150302 Robert J Messey - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----155430 Arch Western Bituminous Group Llc - (Subsidiary Company)
-----093320 Robert W Shanks - (Director)
-----129465 Eugene E Diclaudio - (Director)
-----129465 Eugene E Diclaudio - (Manager)
-----129465 Eugene E Diclaudio - (President)
-----129563 Charles David Steele - (Vice President)
-----133451 John W Eaves - (Director)
-----142816 Canyon Fuel Company LLC - (Subsidiary Company)
-----093320 Robert W Shanks - (Director)
-----113124 David N Warnecke - (Vice President)
-----129465 Eugene E Diclaudio - (Director)
-----129465 Eugene E Diclaudio - (President)
-----129563 Charles David Steele - (Vice President)
-----133451 John W Eaves - (Director)
-----146381 James E Florczak - (Treasurer)
-----146381 James E Florczak - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----157738 Gregory A Billhartz - (Secretary)
-----146381 James E Florczak - (Treasurer)
-----146381 James E Florczak - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----157738 Gregory A Billhartz - (Secretary)
-----157738 Gregory A Billhartz - (Secretary)
-----158835 Patricia A Will - (Assistant Treasurer)
---145597 Mark J Friedman - (Assistant Secretary)
---145601 Gary L Tooker - (Director)
---145602 Denise L Ramos - (Assistant Treasurer)
---145603 Donald A Davis - (Vice President)
---145604 Roger E Truitt - (Senior Vice President)
---145605 Dodd W De Camp - (Vice President)
---145616 John M Slater - (Senior Vice President)
144492 Arch Coal Inc - ()
---044179 Clarence Henry Besten Jr - (Vice President)
---098471 David B Peugh - (Vice President)
---113124 David N Warnecke - (Vice President)
---118428 Thomas A Lockhart - (Director)
---119588 James Robert Boyd - (Director)
---125225 Steven F Leer - (Chairman of the Board)
---125225 Steven F Leer - (Chief Executive Officer)
---125225 Steven F Leer - (Director)
---127325 Robert G Jones - (General Counsel)

---127325 Robert G Jones - (Secretary)
---127325 Robert G Jones - (Vice President)
---129563 Charles David Steele - (Vice President)
---133451 John W Eaves - (Chief Operations Officer)
---133451 John W Eaves - (Director)
---133451 John W Eaves - (President)
---138362 Douglas H Hunt - (Director)
---138467 Paul A Lang - (Senior Vice President)
---142816 Canyon Fuel Company LLC - (Subsidiary Company)
-----093320 Robert W Shanks - (Director)
-----113124 David N Warnecke - (Vice President)
-----129465 Eugene E Diclaudio - (Director)
-----129465 Eugene E Diclaudio - (President)
-----129563 Charles David Steele - (Vice President)
-----133451 John W Eaves - (Director)
-----146381 James E Florczak - (Treasurer)
-----146381 James E Florczak - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----157738 Gregory A Billhartz - (Secretary)
---145629 Arch Western Acquisition Corp - (Subsidiary Company)
-----044179 Clarence Henry Besten Jr - (Director)
-----098471 David B Peugh - (Director)
-----098471 David B Peugh - (Vice President)
-----129563 Charles David Steele - (Vice President)
-----138467 Paul A Lang - (Director)
-----138467 Paul A Lang - (President)
-----145595 Arch Western Resources Llc - (Subsidiary Company)
-----098471 David B Peugh - (Vice President)
-----127325 Robert G Jones - (Assistant Secretary)
-----127325 Robert G Jones - (Vice President)
-----129563 Charles David Steele - (Vice President)
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-----146381 James E Florczak - (Vice President)
-----150302 Robert J Messey - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----155430 Arch Western Bituminous Group Llc - (Subsidiary Company)
-----093320 Robert W Shanks - (Director)
-----129465 Eugene E Diclaudio - (Director)
-----129465 Eugene E Diclaudio - (Manager)
-----129465 Eugene E Diclaudio - (President)
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-----133451 John W Eaves - (Director)
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-----113124 David N Warnecke - (Vice President)
-----129465 Eugene E Diclaudio - (Director)
-----129465 Eugene E Diclaudio - (President)
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-----146381 James E Florczak - (Treasurer)
-----146381 James E Florczak - (Vice President)
-----150302 Robert J Messey - (Vice President)
-----155171 Jolene Jouett Mermis - (Assistant Secretary)
-----157738 Gregory A Billhartz - (Secretary)
---146381 James E Florczak - (Treasurer)
---146805 Michael A Perry - (Director)
---147242 Theodore D Sands - (Director)
---147387 John W Lorson - (Comptroller)
---147951 Robert G Potter - (Director)
---149037 Wesley M Taylor - (Director)
---149715 Frank M Burke - (Director)
---150302 Robert J Messey - (Chief Financial Officer)

---150302 Robert J Messey - (Vice President)
---150775 Deck S Slone - (Vice President)
---152524 Anthony S Bumbico - (Vice President)
---153333 Sheila B Feldman - (Vice President)
---155172 Patricia Fry Godley - (Director)
---156500 Allen Kelley - (Corporate Officer)
---157113 Michael T Abbene - (Corporate Officer)
---157113 Michael T Abbene - (Vice President)
---157738 Gregory A Billhartz - (Assistant Secretary)
---158670 Brian J Jennings - (Director)

Narrative

FEDERAL

**PERMIT
C/007/0039**

March 17, 2008

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5342**

This permit, C/007/0039, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

**Canyon Fuel Company, LLC
6955 South Union Park Center, Suite 540
Midvale, Utah 84047
(801) 596-7111**

for the Dugout Canyon Mine. Canyon Fuel Company, LLC is the lessee of federal coal lease U-07064-027821 of state coal leases ML-42648, ML-42649 and fee-owned property. A performance bond is filed with the DOGM in the amount of \$3,550,000.00, payable to the state of Utah, Division of Oil, Gas and Mining. DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Dugout Canyon Mine situated in the state of Utah, Carbon County, and located:

T. 13 S., R. 12 E., SLBM, Utah

Section 9:	S1/2SE1/4
Section 10:	S1/2
Section 11:	S1/2
Section 13:	All except N1/2N1/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	E1/2SW1/4; SE1/4
Section 20:	E1/2NW1/4; SW1/4NW1/4; N1/2NE1/4
Section 21:	N1/2NW1/4; NE1/4
Section 22:	N1/2; N1/2S1/2; NE1/4SW1/4SW1/4SE1/4;

- S1/2SW1/4SW1/4SE1/4;
N1/2SE1/4SW1/4SE1/4;
SE1/4NE1/4SW1/4SE1/4;
S1/2NW1/4SE1/4SE1/4;
SW1/4NE1/4SE1/4SE1/4;
NE1/2NE1/4SE1/4SE1/4
- Section 23: NW1/4; NE1/4; SE1/4; NE1/4NW1/4NW1/4SW1/4;
N1/2NE1/4NW1/4SW1/4; SE1/4NW1/4NW1/4SW1/4;
NE1/4SW1/4;
NW1/4SW1/4NW1/4SW1/4;
S1/2NW1/4NW1/4SW1/4;
NE1/4NW1/4NW1/4SW1/4;
N1/2NE1/4NW1/4SW1/4
- Section 24: All
- Section 25: N1/2N1/2
- Section 26: N1/2NE1/4
- Section 27: NE1/4SE1/4NE1/4NW1/4;
S1/2SE1/4NE1/4NW1/4;
SE1/4NE1/4NE1/4NW1/4;
W1/2NW1/4NW1/4NE1/4

T. 13 S., R. 13 E., SLBM, Utah

- Section 17: SW1/4NW1/4; W1/2SW1/4
- Section 18: All except N1/2N1/2
- Section 19: All
- Section 20: W1/2W1/2
- Section 30: NW1/4NW1/4

This legal description is for the permit area of the Dugout Canyon Mine included in the mining and reclamation plan. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit becomes effective on March 17, 2008 and expires on March 17, 2013.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- (a) have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,
 - (b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.
- Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.
- Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:
- (a) accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;
 - (b) immediate implementation of measures necessary to comply; and
 - (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.
- Sec. 9 DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.
- Sec. 10 CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:
- (a) in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
 - (b) utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

- Sec. 11 EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.
- Sec. 12 RECLAMATION FEE PAYMENT** - The permittee shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.
- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300.
- Sec. 18 SPECIAL CONDITIONS** - There is a special condition associated with this permit, as described in Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: John R. Byrnes
Date: 3/17/08

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of the Permittee

Date: _____

ATTACHMENT A

Special Conditions

1. Canyon Fuel Company, LLC must submit water quality data for the Dugout Mine in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appxogm.cgi>.